

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE TARIFF APPLICATION OF)
WESTERN KENTUCKY GAS COMPANY) CASE NO. 9083

O R D E R

On June 11, 1984, Western Kentucky Gas Company ("Western") filed a proposed tariff (Rate T-2) with this Commission to establish transportation rates for customer-owned gas. Western also sought to revise the availability clause of its transportation charge then in effect (Rate T-1) to more accurately describe its use. The Commission suspended Western's proposals for 5 months on and after July 1, 1984.

On August 2, 1984, after published notice, the Commission approved Western's transportation rates on an interim basis and allowed them to be placed into effect, subject to refund, pending a final determination in the case. On December 7, 1984, the Commission received a letter from Southwire Company ("Southwire") expressing its concerns in Western's proposed Rate T-2. Southwire was granted limited intervention status.

The Commission, along with others nationwide, has been studying the effects of transportation of customer-owned gas. A formal conference convened February 19, 1985, elicited numerous

responses. The tariffs proposed before this Commission for the transportation of customer-owned gas primarily fall into one of two distinct categories, those providing transportation for any customer desiring such service and those providing transportation only for customers with a cheaper source of alternative fuel. The Commission is of the opinion that the rate for open transportation service should be established at such a level as to prevent the subsidization of transportation by other captive customers.

The Commission notes that the revision to Rate T-1 is merely a clarification of a tariff under which two customers are being served at a previously authorized rate. Rate T-2 is Western's proposed tariff to allow for transportation of customer-owned gas for any customer desiring such service. The tariff is not limited to customers with an alternate fuel capability. The applicable transportation rate would be determined as the customer's standard tariff rate less the commodity rate of gas charged by Western's supplier in the applicable zone. The Commission accepts Western's basic methodology and its recognition of the need to prevent any potentially adverse shift of cost responsibility among customers. The Commission is in agreement with Western that the commodity cost of gas should be eliminated in determining transportation rates, but the use of rates that vary by supply zone is discriminatory. Western does not distinguish between supply zones in any other rate schedules, an average cost of gas systemwide is included in all rates.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Western's proposed revisions to Rate T-1 will clarify the circumstances under which customers are presently being served at a rate authorized by this Commission and should be placed into effect.

(2) No customers have been or are presently being served under Western's proposed Rate T-2 for the transportation of customer-owned gas.

(3) Rate T-2, which was previously placed into effect subject to refund, should be denied without prejudice. The rates are unreasonable as they vary between supply zones.

(4) The Commission remains open to a tariff providing for transportation of customer-owned gas and encourages Western to pursue fair, just and reasonable transportation rates.

IT IS THEREFORE ORDERED that Western's proposed tariff (Rate T-1) set out in the Appendix to this Order be and it hereby is authorized effective on and after the date of this Order.

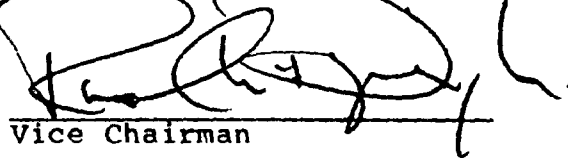
IT IS FURTHER ORDERED that Western's proposed tariff (Rate T-2) be and it hereby is denied.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Western shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 11th day of April, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9083 DATED April 11, 1985.

The following rates and charges are prescribed for the customers served by Western Kentucky Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Storage Transportation Service - Rate T-1

Applicable:

Entire service area of the Company.

Availability of Service:

Available to customers who have purchased natural gas for the purpose of seasonal storage and require transportation through Company pipelines to the point of storage and/or utilization, subject to suitable service being available from existing facilities.

Rate - Net:

Fifteen cents (\$.150) per 1,000 cubic feet. Any additions or modifications of the Company's facilities required to perform this service shall be at the sole expense of the customer.

Terms and Conditions:

- A. Specific details relating to volumes, delivery points and other matters shall be covered by a separate contract with the individual customers.
- B. The Company shall have the right at any time, without liability to the customer, to curtail or to discontinue the delivery of gas entirely to the customer for any period of time when such curtailment or discontinuance is, in the Company's sole discretion, necessary to protect the requirements of domestic and commercial customers; to comply with any restriction of curtailment as may be imposed by any governmental agency having jurisdiction over the Company or its supplier or to comply with any restriction or curtailment as may be imposed by the Company's supplier; to protect and assure the operation of the Company's underground storage system; or for any causes due to force majeure; so that the Company may maintain the operating efficiency of its system in a safe and orderly manner.

- C. The Company will not be obligated to deliver a total supply of gas to a customer in excess of that customer's Base Period Volumes.
- D. It shall be the customer's responsibility to make all necessary arrangements, including regulatory approvals, required to deliver gas transported under this tariff to the facilities of the Company.
- E. The Company reserves the right to refuse to accept gas that does not meet the Company's quality specification.
- F. The Rules, Regulations and Orders of the Public Service Commission and of the Company, and the Company's general terms and condition applicable to industrial sales, shall apply to this tariff and all contracts thereunder.